

SECURITIES AND EXCHANGE COMMISSION

New York Regional Office

3 World Financial Center – Room 400

New York, New York 10281-1022

(212) 336-0175

Valerie A. Szczepanik

Audry Weintrob

UNITED STATES DISTRICT COURT

SOUTHERN DISTRICT OF NEW YORK

-----X	
	:
SECURITIES AND EXCHANGE COMMISSION,	:
	:
Plaintiff,	:
	:
- against-	: 07-CV-8385 (GEL)
	: ELECTRONIC FILING
	:
MORRIS GAD AND NATHAN ROSENBLATT,	:
	:
Defendants.	:
-----X	

DECLARATION OF AUDRY WEINTROB

AUDRY WEINTROB, pursuant to 28 U.S.C. § 1746, declares as follows:

1. I am employed as a Senior Attorney in the New York Regional Office of the United States Securities and Exchange Commission, and I am admitted to practice before this Court. I make this declaration in support of the Commission's opposition to defendant Morris Gad's and defendant Nathan Rosenblatt's Motion to Dismiss the complaint.

2. Annexed to this declaration are true and correct copies of the following documents:

a. Exhibit 1 is a spreadsheet containing the historical prices and trading volumes of NBTY, Inc. stock from June 1, 2004 through July 30, 2004. The spreadsheet was downloaded from the Yahoo! Finance website at

<http://finance.yahoo.com>. Such market quotations are generally used and relied upon by the public and persons in the securities industry.

b. Exhibit 2 is an Adams Harkness Research Note on NBTY, dated July 23, 2004, entitled "Rexall ride comes to an end; Downgrade from Strong Buy."

c. Exhibit 3 is an RBC Capital Markets Research Comment on NBTY, dated July 23, 2004, entitled "Q3 Earnings: Slower Sales Compounded By Weak Margins."

d. Exhibit 4 is a Citigroup/Smith Barney Research Report on NBTY, dated July 22, 2004, entitled "NTY: Flash: 11c EPS Miss; Deteriorating Trends."

I state under penalty of perjury that the foregoing is true and correct.

Executed on: November 14, 2007
New York, New York


AUDRY WEINTROB

EXHIBIT 1

Date	Open	High	Low	Close	Volume	Adj Close
7/30/2004	21.1	21.91	20.7	21.76	1337400	21.76
7/29/2004	20.36	21.25	20.2	20.92	1147800	20.92
7/28/2004	20.2	20.55	19.62	20.11	581500	20.11
7/27/2004	19.7	20.6	19.68	20.5	784700	20.5
7/26/2004	19.7	20.2	19.66	19.85	1812100	19.85
7/23/2004	22.5	22.5	19.41	19.68	8583700	19.68
7/22/2004	24.5	24.75	23.85	24.5	927800	24.5
7/21/2004	24.75	25.11	24.5	24.67	861200	24.67
7/20/2004	24.63	24.8	23.64	24.61	1296400	24.61
7/19/2004	24.95	25.09	24.61	24.7	696400	24.7
7/16/2004	24.9	25.19	24.68	25.03	565300	25.03
7/15/2004	25	25.6	24.9	24.95	796600	24.95
7/14/2004	27.49	27.49	24.74	25.24	2742100	25.24
7/13/2004	28.02	28.16	27.74	27.77	444700	27.77
7/12/2004	27.95	28.25	27.95	28	227700	28
7/9/2004	28.21	28.57	28	28	336900	28
7/8/2004	28.55	28.63	28.07	28.21	441800	28.21
7/7/2004	28.59	29.1	28.59	28.61	368100	28.61
7/6/2004	28.98	29.24	28.44	28.64	390800	28.64
7/2/2004	29.42	29.45	29.1	29.11	286700	29.11
7/1/2004	29.46	29.86	29.35	29.46	858400	29.46
6/30/2004	29.35	29.52	29.29	29.39	713400	29.39
6/29/2004	29.75	29.83	29.19	29.4	1437900	29.4
6/28/2004	30.03	30.15	29.61	29.68	817900	29.68
6/25/2004	29.55	30.12	29.04	29.96	2015300	29.96
6/24/2004	29.35	29.53	28.85	29.49	800900	29.49
6/23/2004	28.75	29.53	28.25	29.22	1552600	29.22
6/22/2004	27.7	28.32	27.2	28.25	3011700	28.25
6/21/2004	27.1	27.5	26.97	27.27	1245700	27.27
6/18/2004	26.98	27.5	26.25	27.1	3618700	27.1
6/17/2004	32	32	26.68	26.99	8299300	26.99
6/16/2004	37.02	37.02	36.14	36.5	289900	36.5
6/15/2004	35.86	37.16	35.86	36.82	302900	36.82
6/14/2004	36.73	36.73	35.6	35.66	488900	35.66
6/10/2004	37.5	37.5	36.72	36.73	363200	36.73
6/9/2004	37.63	37.86	37.39	37.44	268500	37.44
6/8/2004	37.75	38	37.48	37.81	390000	37.81
6/7/2004	36.65	37.62	36.39	37.62	295300	37.62
6/4/2004	36.42	36.86	35.9	36.31	260000	36.31
6/3/2004	37.05	37.05	36.17	36.17	291100	36.17
6/2/2004	37.05	37.1	36.79	37	441000	37
6/1/2004	36.92	37.24	36.5	36.96	281200	36.96

EXHIBIT 2



Adams Harkness
Boston New York San Francisco

July 23, 2004

Scott Van Winkle, CFA
617-371-3759
svw@adamsharkness.com

Better Food & Nutrition Research Note

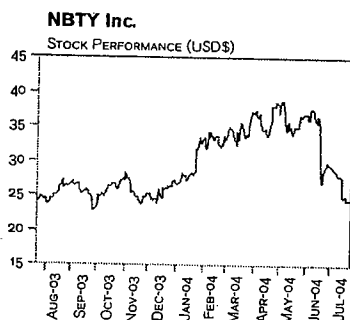
NBTY

NTY - \$24.50 - Buy

Rexall ride comes to an end; Downgrade from Strong Buy

Stock summary: NBTY is the leading player in a consolidating category with the best balance sheet and significant consolidation opportunities, and is gaining market share.

NEXT CATALYST:
AH Summer Seminar
presentation on 8/4/04



Company Description: NBTY is the nation's dominant vitamin mail-order operation, the leading retailer of nutritional supplements in the U.K., a leader in the US nutritional supplement wholesale channel and operates the 500+ store Vitamin World chain domestically.

- * Misses quarter by \$0.10, of which \$0.03 was higher advertising and \$0.07 was due to a \$17M revenue miss. Rexall results indicate to us there may be integration issues.
- * Recent category weakness isn't new news, but dramatic decline of Rexall revenue and margin impairs our investment thesis that Rexall synergies will drive incremental earnings growth. Lowering rating to Buy from Strong Buy as a result.
- * Valuation of 11x CY04 free cash flow should set a floor for the stock. However, our \$29 12-month PT is unlikely to be achieved near-term as stock sits in penalty box.
- * Cutting FY04 EPS estimate to \$1.66 from \$1.85 and FY05 to \$1.95 from \$2.25. We are essentially back to the estimates we first forecasted after Rexall acquisition, which we later increased on the heels of the blowout Q2.
- * Lack of evidence that July trends have recovered is concerning, as we initially assumed June category weakness simply related to broadly weak June retail sales.
- * Gross margin was issue on conference call, but it was in line with our company-wide expectation. Wholesale margin weakness was negative surprise, though.
- * Our new 8% internal growth estimate for base wholesale business is down just modestly, but we now forecast a YOY decline at Rexall, which negates much of the wholesale margin improvement we had estimated.

Market Data

52-wk range	40.21
Market cap (B)	1.7
Shares out (M)	69.2
Avg daily volume	868,454

Change in EPS Estimates

	New	Old
Current Q	0.35	0.44
FY04	1.66	1.85
FY05	1.95	2.25

EPS

	Sep03	Sep04E	Sep05E
DecQ1	0.24	0.34A	
MarQ2	0.34	0.50A	
JunQ3	0.37	0.37A	
SepQ4	0.31	0.35	
FY	1.27	1.66	1.95
P/E	19.2x	14.7x	12.5x
CY	1.37	1.72	2.00
P/E	17.8x	14.2x	12.2x

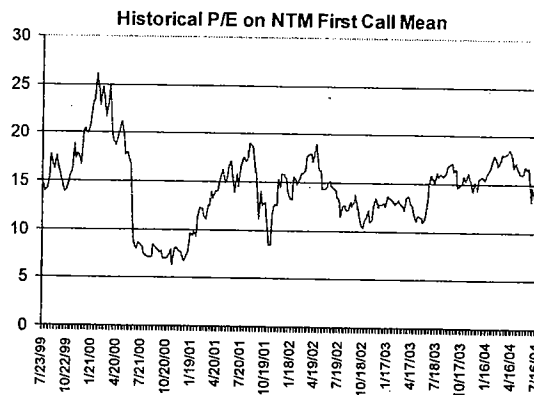
Revenues (M)

	Sep03	Sep04E	Sep05E
DecQ1	241.4	385.1A	
MarQ2	277.8	439.6A	
JunQ3	308.5	399.9A	
SepQ4	364.8	392.1	
FY	1,192.5	1,616.7	1,682.0
P/S	1.4x	1.0x	1.0x
CY	1,388.2	1,684.5	1,702.1
P/S	1.0x	1.0x	1.0x

Please see important disclosures on the last page of this report.

Conclusion

We didn't expect anything positive from the quarterly report, but we did expect an indication that the sky wasn't falling and that our investment thesis remained intact. Going into the Q3 report, we assumed that mail order was healthy and simply stumbled on a sales shift, Vitamin World was weak in all respects, wholesale was softer but intact, and that Holland & Barrett was rolling along as expected. What we learned last night was that mail order is in fact healthy (surpassed our EBIT forecast) and Vitamin World is still weak. However, wholesale is much softer than thought and it appears mostly related to Rexall (lower revenue and margin than forecast), and Holland & Barrett comp trends are fine but margins dipped unexpectedly (and more so than just the less favorable currency impact sequentially). Given the deterioration of margins and miss relative to our forecasts in nearly all businesses, we can only conclude that there is more than just a timing shift and soft vitamin retail environment at play. The Rexall integration appears to have hit some stumbling blocks, illustrated by both the dramatic sequential revenue decline and sharply lower EBIT margins. Our Strong Buy thesis was predicated on accelerated earnings growth driven by the Rexall acquisition that looked very real after the first couple of quarters following the acquisition. With Rexall sales and margins off dramatically in Q3, our thesis is longer applicable. We now rate the share Buy, which -- given the near-tough valuation and respectable earnings growth -- looks appropriate. Our \$29 12-month price target is based on the shares recovering to the 5-year average P/E of 14.4. While the recent results are disappointing, the trends have simply returned to the norm with high single-digit internal growth, good margins (albeit lower than expectations), strong free cash flow, and our estimates back close to our initial forecasts following the acquisition. However, we do not anticipate a swift recovery in the near term, given how the recent share weakness has unfolded.



Source: Facts&Figures

Rexall Acquisition not unfolding as expected

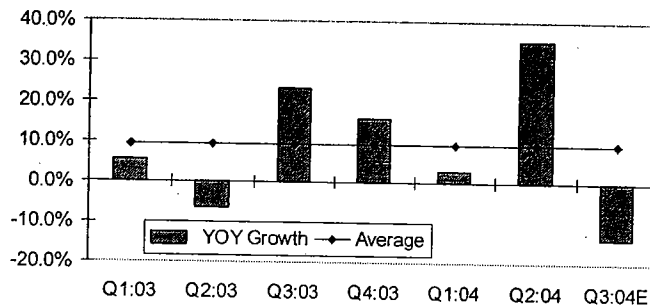
NBTY acquired Rexall Sundown just about one year ago. We assumed that the deal would add \$0.58 to EPS and our initial FY04 EPS estimate was raised to \$1.70 (now \$1.66). The deal was in fact wildly accretive and the next 3 quarters illustrated the accretion from the acquisition. We initially assumed close to \$400M of Rexall revenue in FY04, which begin to decline attributable to NBTY taking product returns from retailers and reallocating shelf space, often to NBTY brands. However, the Q3 Rexall revenue of \$66 million implies closer to a \$260 million current Rexall run rate, which implies much more than re-allocated shelf space. It is likely that the Carb Solutions brand is seeing soft sales as the low-carb market place has become increasingly competitive, but we can't attribute all of the weakness to Carb Solutions.

Thus, our only conclusion is that there are broader issues due to the integration of Rexall into NBTY. We don't want to overanalyze the Rexall integration, as all integrations run into speed bumps, but our near-term enthusiasm for the stock was predicated on realization of incremental Rexall accretion over and above our initial forecast and it now appears that our initial forecast is in jeopardy. Rexall will prove to be a good acquisition, in our opinion; we simply have to lower our expectations given the sales and margin trends.

Mail order looks fine

Mail order was the big disappointment relative to expectations when NBTY initially issued its Q3 warning in mid-June. However, our opinion then, and now, is that mail order is in fact healthy. On a combined Q2/Q3 basis, sales were up almost 10% YOY and operating profit was up 18%. Despite the fact that Q3 sales were slightly below our revised mail order forecast (\$52.5M vs. \$53.6M), operating profit was actually favorable to our estimate (\$16.3M vs. \$15.5M). We expect a solid recovery in mail order sales growth in Q4.

Mail Order Quarterly Revenue Growth



Source: Company Reports

Vitamin World is just not large enough to matter

Vitamin World comps were down 4% YOY vs. our estimate of a 1% decline. Margins were also lower than forecast at -2% vs. flat. However, even though revenue and EBIT margin was below our estimate, Vitamin World contributed less than \$0.01 of the earnings miss. We have never had big expectations for this business and our new estimates assume only modestly lower profit contribution and do not assume a recovery until the comparisons ease in the back-half of 2004. We believe that traffic is being negatively affected by the fact that 14% of Vitamin World sales were low-carb last year and low-carb products are now ubiquitous in the mass-market channels.

Holland & Barrett performing well, but not strong enough to offset the other business weakness

Comps were up 3% and EBIT rose 47% YOY. It is clear to us that improvements have taken hold at the GNC UK business acquired last year. However, H&B was below our forecast for both revenue and earnings, and the trends deteriorated throughout the quarter. Currency wasn't quite as favorable sequentially, but the sequential margin decline cannot be completely attributed to currency. We are not concerned about the bigger picture at H&B, but we will begin to face more difficult comparisons soon. We believe that the most significant opportunity over the next 5 years is in fact in Europe and H&B continues to be one of the best performers in the NBTY portfolio.

Adams Harkness

Revising estimates

We are lowering our sales and earnings estimates to reflect the softer EBIT growth at nearly all of NBTY's segments. We are reducing our Q4 revenue and EPS estimates to \$392M and \$0.35, from \$402M and \$44, respectively. The largest driver of the change is lower wholesale revenue and margin, which have reduced to reflect our concerns around the Rexall trends. We also trimmed our Vitamin World estimates modestly, but actually increased our mail order estimate. For FY04, our revenue and EPS estimates go to \$1.62B and \$1.66 from \$1.64 and \$1.85, respectively. For FY05, we continue to anticipate higher margins, somewhat due to easier back-half comparisons than previously assumed. We are trimming our revenue and EPS estimates to \$1.68B and \$1.95 from \$1.74B and \$2.25, respectively. We estimate that NBTY will use its free cash flow to reduce debt by up to \$150M, contributing about \$0.06 to earning growth.

Price Target

Our \$29 price target is based on a 14.4 P/E multiple on our CY05 EPS estimate of \$2.00.

Risks

Key risks that may impede achievement of our price target include:

- * Leverage: Net debt is now roughly \$257M and the debt-to-equity ratio is 33%, which could add to earnings volatility. NBTY should generate close to \$150M of free cash this year, which should mitigate the risk.
- * Acquisition integration risks: There are a host of integration risks regarding the Rexall acquisition including sales disruptions, loss of key personnel, corporate culture shock, management resource strain, and achieving cost reduction targets.
- * NBTY provides no quarterly earnings guidance, which can add to stock price volatility.
- * The nutritional supplement industry is highly correlated to the pace and opinion of research and media on the efficacy of nutritional supplements.
- * Exchange Rate Risk: NBTY currently operates close to 600 retail stores in Europe, which account for roughly 50% of NBTY's EBIT. Fluctuations in the Dollar/Euro exchange rate will have an impact on NBTY's profitability.

Analyst Certification

By issuing this research report, Scott Van Winkle certifies that: (i) the views expressed in the report accurately reflect the analyst's personal views as to the subject securities and issuers; and (ii) no part of the analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the research analyst in the report.

NBTY, Inc. Quarterly Income Statement

Fiscal Year End - September
 Scott Van Winkle, CFA - 617-371-3759
 svw@adamsharkness.com

(in millions, except per-share data)
 12/29/2004 11:11 AM

(in millions, except per-share data)

Income Statement

	2002				2003				2004E				2005E	
	Q1	Q2	Q3	Q4*	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4	FY	FY
Revenues	215.1	251.5	252.0	245.5	241.4	277.8	308.5	364.8	385.1	439.6	399.9	392.1	1,482.0	1,482.0
Expenses:														
COGS	(100.9)	(113.0)	(111.9)	(107.8)	(106.7)	(124.7)	(141.2)	(180.7)	(192.9)	(213.2)	(197.2)	(190.2)	(813.1)	(813.1)
Catalog/Promotion	(9.0)	(12.7)	(12.5)	(13.6)	(13.9)	(16.8)	(15.4)	(20.4)	(20.1)	(19.3)	(21.7)	(20.5)	(82.0)	(82.0)
SG&A	(81.9)	(86.6)	(89.2)	(89.7)	(93.4)	(99.2)	(110.9)	(128.6)	(130.4)	(138.3)	(139.9)	(139.9)	(568.1)	(568.1)
Operating Income	23.3	39.2	38.3	34.4	27.5	37.2	41.0	35.0	41.7	68.7	41.1	41.5	218.8	218.8
Interest	(6.0)	(4.2)	(4.4)	(3.9)	(4.0)	(3.8)	(3.9)	(5.7)	(6.8)	(6.8)	(5.6)	(4.8)	(15.0)	(15.0)
Miscellaneous, net	0.9	1.2	0.3	(0.8)	1.2	2.3	2.0	(0.1)	1.5	0.5	1.1	0.0	3.1	2.5
Pretax Income	18.2	36.1	34.2	29.7	24.7	35.7	39.1	29.2	36.4	62.5	36.7	36.7	206.3	206.3
Income Tax	(26.0)	(13.9)	(13.6)	(11.4)	(8.1)	(12.1)	(13.6)	(7.7)	(12.7)	(21.3)	(10.8)	(12.7)	(70.1)	(70.1)
Net Income	41.9	22.2	20.6	18.3	16.6	23.6	25.5	21.5	23.6	41.3	25.9	24.0	136.2	136.2
Average Shares	67.0	67.3	67.8	68.0	68.1	68.3	68.3	68.8	68.9	69.1	69.2	69.3	69.7	69.7
EPS	\$0.63	\$0.17	\$0.33	\$0.30	\$0.24	\$0.34	\$0.37	\$0.31	\$0.34	\$0.60	\$0.37	\$0.35	\$1.95	\$1.95
* Fully taxed at 38.5%. Actual tax rate was 16.5%														
Calendar Revenue	855.2				990.4				1,336.2				1,634.5	1,702.1
Calendar EPS	\$0.78				\$1.14				\$1.37				\$1.72	\$2.00

Margin Analysis

	2002				2003				2004E				2005E	
	Q1	Q2	Q3	Q4*	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4	FY	FY
Revenues	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Gross Margin	53.1%	55.1%	55.6%	56.1%	55.8%	55.1%	54.2%	50.5%	49.9%	51.5%	50.7%	51.5%	51.7%	51.7%
Catalog/Promotion	4.2%	5.1%	5.0%	5.5%	5.7%	6.0%	5.0%	5.6%	5.2%	4.4%	5.4%	5.2%	4.9%	4.9%
SG&A	38.1%	34.4%	35.4%	36.6%	38.7%	35.7%	36.0%	35.3%	33.9%	31.5%	35.0%	35.7%	33.8%	33.8%
Operating Margin	10.8%	15.6%	15.2%	14.0%	11.4%	13.4%	13.3%	9.6%	10.8%	15.6%	10.3%	10.6%	13.0%	13.0%
Interest	2.8%	1.7%	1.7%	1.6%	1.7%	1.4%	1.3%	1.6%	1.8%	1.5%	1.4%	1.2%	0.9%	0.9%
Pretax margin	8.4%	14.4%	13.6%	12.1%	10.2%	12.8%	12.7%	8.0%	9.4%	14.2%	9.2%	9.4%	12.3%	12.3%
Net margin	5.2%	8.8%	8.2%	7.4%	6.9%	8.5%	8.3%	5.9%	6.1%	9.4%	6.5%	6.1%	8.1%	8.1%
Tax Rate	38.2%	38.5%	39.7%	38.5%	32.7%	34.0%	34.9%	26.4%	35.0%	34.0%	29.3%	34.5%	34.0%	34.0%

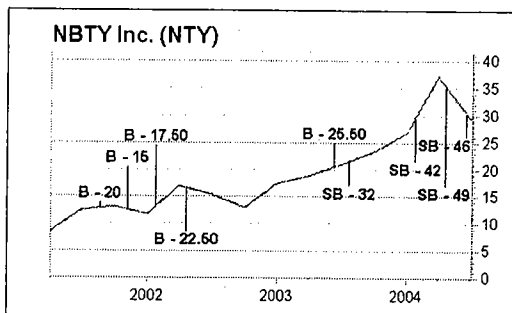
Growth

	2002				2003				2004E				2005E	
	Q1	Q2	Q3	Q4*	Q1	Q2	Q3	Q4	Q1A	Q2A	Q3A	Q4	FY	FY
Rev. Growth (Vs. Year Ago)	11.9%	11.9%	23.6%	16.1%	12.2%	10.4%	22.4%	48.6%	59.5%	58.2%	29.6%	7.5%	35.6%	4.0%
EBIT Growth	(7.9%)	19.0%	41.8%	52.3%	18.2%	(5.1%)	6.9%	1.9%	51.5%	84.8%	0.4%	18.6%	37.2%	13.3%
Pre-Tax Income Growth	(15.6%)	23.8%	57.5%	86.3%	36.0%	(1.2%)	14.2%	(1.5%)	47.3%	75.1%	(6.3%)	25.5%	33.8%	19.8%
Net Income Growth	(14.1%)	23.7%	54.4%	83.0%	48.9%	6.1%	23.4%	17.9%	42.2%	75.1%	1.7%	11.7%	31.7%	18.6%
EPS Growth	(13.5%)	20.6%	52.3%	82.0%	47.1%	5.2%	22.9%	16.5%	40.6%	73.2%	0.4%	10.8%	30.3%	17.6%

Estimates and results exclude all non-recurring items.

Adams Harkness

The following chart presents our rating and price target history for the subject company through the end of the most recent quarter.



Important Disclosures

Adams Harkness uses the following ratings system: Strong Buy - up 25%+; Buy - up 10%-25%; Market Perform (Hold) - up 10% to down 10%; Reduce - down 10%-25%; Sell - down 25%+. All of the ratings are based on expected performance relative to the relevant industry sector over the next 12 months. As of June 30, 2004, Adams Harkness had assigned a "buy" rating (includes Strong Buy and Buy) to 73% of the stocks it had under coverage, a "hold" rating to 23% of the stocks under coverage, and a "sell" rating (includes Reduce and Sell) to 4% of the stocks under coverage. For the 12-month period ending June 30, 2004, Adams Harkness had received compensation for investment banking services from 26% of the companies with a "buy" rating, 2% of the companies with a "hold" rating, and 13% of the companies with a "sell" rating. For charts depicting the price target and rating history through the most recent quarter of securities we have had under coverage for at least one year, please visit www.ahh.com/html/pricecharts.html or write to Editorial, Adams Harkness, 99 High Street, Boston, MA 02110.

NBTY is contained within Adams Harkness's investment banking industry focus; therefore, Adams Harkness intends to seek, and if successful would expect to receive, compensation for investment banking services in the next three months. The research analyst receives compensation based on, among other factors, the overall profitability of Adams Harkness, including income derived from investment banking and trading revenues. Additional information on the securities is available on request.

Disclaimers

The information contained herein is based on sources Adams Harkness believes to be reliable, but, with the exception of the information about Adams Harkness, Inc., it is neither all-inclusive nor guaranteed to be accurate. Adams Harkness has not independently verified the facts, assumptions, and estimates contained herein and, accordingly, makes no representation or warranty, express or implied, concerning the fairness, accuracy, or completeness of the information and opinions contained herein. Opinions and price targets reflect our judgment at a particular time and are subject to change due to economic, industry, and firm-specific factors. This transmission is not intended to be an offer or solicitation to buy or sell securities.

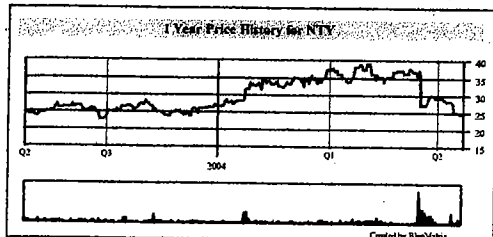
Adams Harkness and its affiliates, principals or employees, other than the research analyst(s) who prepared this report, may have a position in the securities referred to in this publication or own options, rights, or warrants to purchase or sell such securities. © Copyright 2004 Adams Harkness, Inc. All rights reserved. This publication is not meant for private consumers.

EXHIBIT 3

RBC
Capital
Markets

Research Comment

July 23, 2004



NBTY, Inc

(NASDAQ: NTY)

Sector Perform

Above Average Risk

Company Update

Price Target

Downgrade

EPS Revision.

Carole Buyers, CFA

(303) 595-1229 carole.buyers@rbccm.com

Edward Aaron, CFA

(303) 595-1127 edward.aaron@rbccm.com

Andrew Hodson

(303) 595-1294 andrew.hodson@rbccm.com

Price: 24.50 Price Target: 26.00 ↓ 32.00
 52-Wk High: 39.61 52-Wk Low: 20.64
 Float (MM): 45.1 Debt to Cap: 45.4%
 Shares Out (MM): 69.1 Market Cap (MM): 1,693
 Dividend: 0.00 Yield: 0.0%
 Tr. 12 ROE: 19.60% Est 3-Yr EPS Gr: 15.00%
 Trading Vol. (MM): 935,000
 Institutional Own.: 62%

(FY Sep)	2002A	2003A	2004E	2005E
EPS	1.15	1.33	1.72	1.93
Prev.			1.82	2.09
P/E	21.30x	18.42x	14.24x	12.69x
Revenue Net (MM)	--	\$1.19bn	\$1.61bn	\$1.69bn
Prev.			\$1.63bn	\$1.72bn
MktCap/Rev	NA	1.42x	1.05x	1.00x

EPS	Q1	Q2	Q3	Q4
2002	0.17A	0.33A	0.30A	0.36A
2003	0.24A	0.34A	0.43A	0.31A
2004	0.34A	0.60A	0.37A	0.41E
Prev.			0.47E	
2005	0.39E	0.57E	0.49E	0.49E
Prev.	0.43E	0.62E	0.55E	

Revenue Net (MM)	2003	2004	2005
2003	241.40A	277.80A	308.50A
2004	385.10A	439.59A	399.91A
Prev.			410.83E
2005	405.94E	463.32E	421.81E
Prev.			433.30E

All values in USD unless otherwise noted.

Q3 Earnings: Slower Sales Compounded By Weak Margins

Event

NBTY Q3 Earnings

Investment Opinion

- **Q3 Shortfall Compounded By Weak Margins in Wholesale:** NBTY reported EPS of \$0.37, missing our previously lowered estimate of \$0.47 and the Street estimate of \$0.50. Q3 earnings compare to \$0.43 last year. The downside to our estimate came primarily from weaker sales and gross margin in its wholesale division. While total sales for its wholesale division increased 83%, Rexall sales were notably weak and internal growth increased 10% (a marked deceleration in its internal revenue growth which had been tracking closer to 25%). Wholesale gross margin declined 500 basis points and NBTY's total gross margin decreased 350 basis points. Management did not fully explain the deterioration, however, we can conclude one or all of the following impacted margin: higher retail promotions; greater mix of private label and pricing pressure.
- **Review of Other Business Segments:** As expected, NBTY's direct segment declined 13.7%, previously explained by difficult comparisons. Given the inherent volatility in this business, we fully expect this division to return to positive growth. Holland & Barrett, NBTY's U.K. division, reported same-store sales growth of 14%. Given the strength in this business through May was up 28%, the 14% reported comp implies June dropped off significantly. Finally, as expected Vitamin World reported a 4% decline in same-store sales and a loss of \$1 million for the quarter.
- **Lowering Estimates Again:** We are revising our 2004/2005 estimates to \$1.72/\$1.93, respectively from \$1.82/\$2.09.
- **Opinion and Target:** As mentioned in our July 13th note, given the magnitude of weakness at retail, we may not get the snapback in sales in the next quarter. In addition, given management does not provide forward guidance we believe street estimates need to be lowered. We are maintaining our Sector Perform rating and lowering our price target to \$26 (13x CY-05 estimate of \$2.02) from \$32.

0479

RBC Capital Markets

NBTY, Inc

Valuation

We are lowering our price target to \$26 from \$32. Our revised price target assumes a multiple of 13x our revised CY-05 EPS estimate of \$2.02, representing a 50% discount to other "healthy lifestyles" companies. We believe this discount accounts for the more difficult conditions in the dietary supplement category. In addition, in periods of earnings uncertainty, NBTY's forward multiple can trade as low as 10x; and in periods of earnings acceleration, NBTY's forward multiple can trade as high as 17x.

Price Target Impediment

A prolonged decline in industry sales and difficulty integrating acquisitions could impede achievement of our price target.

Company Description

NBTY, Inc. (Bohemia, New York) is a leading vertically integrated manufacturer, marketer, and retailer of value-priced nutritional supplements in the United States and United Kingdom.

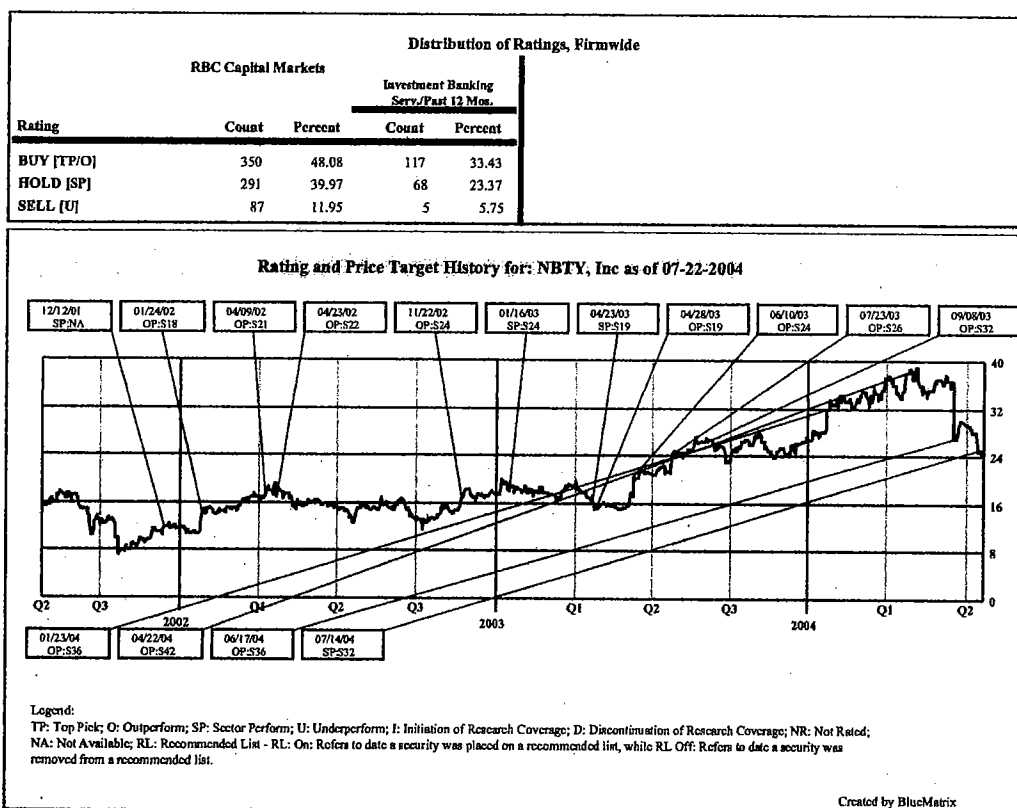
Required Disclosures

Explanation of RBC Capital Markets Rating System

An analyst's "sector" is the universe of companies for which the analyst provides research coverage. Accordingly, the rating assigned to a particular stock represents solely the analyst's view of how that stock will perform over the next 12 months relative to the analyst's sector. **Ratings Top Pick (TP):** Represents best in Outperform category; analyst's best ideas; expected to significantly outperform the sector over 12 months; provides best risk-reward ratio; approximately 10% of analyst's recommendations. **Outperform (O):** Expected to materially outperform sector average over 12 months. **Sector Perform (SP):** Returns expected to be in line with sector average over 12 months. **Underperform (U):** Returns expected to be materially below sector average over 12 months. **Risk Qualifiers (any of the following criteria may be present):** **Average Risk (Avg):** Volatility and risk expected to be comparable to sector; average revenue and earnings predictability; no significant cash flow/financing concerns over coming 12-24 months; fairly liquid. **Above Average Risk (AA):** Volatility and risk expected to be above sector; below average revenue and earnings predictability; may not be suitable for a significant class of individual equity investors; may have negative cash flow; low market cap or float. **Speculative (Spec):** Risk consistent with venture capital; low public float; potential balance sheet concerns; risk of being delisted.

Distribution of Ratings, Firmwide

For purposes of disclosing ratings distributions, regulatory rules require member firms to assign all rated stocks to one of three rating categories--Buy, Hold/Neutral, or Sell--regardless of a firm's own rating categories. Although RBC Capital Markets' stock ratings of Top Pick/Outperform, Sector Perform and Underperform most closely correspond to Buy, Hold/Neutral and Sell, respectively, the meanings are not the same because our ratings are determined on a relative basis (as described above).



In the event that this is a compendium report (covers more than six subject companies), RBC Capital Markets may choose to provide specific disclosures for the subject companies by reference. To access current disclosures, clients should refer to <http://rbc2.bluematrix.com/bluematrix/Disclosure> or send a request to RBC CM Research Publishing, P.O. Box 50, 200 Bay Street, Royal Bank Plaza, 29th Floor, South Tower, Toronto, Ontario M5J 2W7. References to a Recommended List in the recommendation history chart may include one or more recommended lists or model portfolios maintained by a member company of RBC Capital Markets or one of its affiliates. RBC Capital Markets Recommended Lists include the Strategy Focus List and the Fundamental Equity Weightings (FEW) portfolios. RBC Dain Rauscher Inc. Recommended Lists include the Western Region Focus List (1), a former list called Model Utility Portfolio (2), and the Prime Opportunity List (3) (formerly called the Private

RBC Capital Markets**NBTY, Inc**

Client Selects), Private Client Prime Portfolio (4), a former list called Private Client Portfolio (5), and the Prime Income List (6). The abbreviation "RL On" means the date a security was placed on a Recommended List. The abbreviation "RL Off" means the date a security was removed from a Recommended List.

Analyst Certification

All of the views expressed in this report accurately reflect the personal views of the responsible analyst(s) about any and all of the subject securities or issuers. No part of the compensation of the responsible analyst(s) named herein is, or will be, directly or indirectly, related to the specific recommendations or views expressed by the responsible analyst(s) in this report.

Dissemination of Research

RBC Capital Markets endeavours to make all reasonable efforts to provide research simultaneously to all eligible clients. RBC Capital Markets' equity research is posted to our proprietary websites to ensure eligible clients receive coverage initiations and changes in rating, targets and opinions in a timely manner. Additional distribution may be done by the sales personnel via email, fax or regular mail. Clients may also receive our research via third party vendors. Please contact your investment advisor or institutional salesperson for more information regarding RBC Capital Markets research.

Important Disclosures

The analyst(s) responsible for preparing this research report received compensation that is based upon various factors, including total revenues of the member companies of RBC Capital Markets and its affiliates, a portion of which are or have been generated by investment banking activities of the member companies of RBC Capital Markets and its affiliates.

A member company of RBC Capital Markets or one of its affiliates received compensation for products or services other than investment banking services from NBTY, Inc during the past 12 months. During this time, a member company of RBC Capital Markets or one of its affiliates provided non-securities services to NBTY, Inc.

RBC Capital Markets is currently providing NBTY, Inc with non-securities services.

RBC Capital Markets has provided NBTY, Inc with non-securities services in the past 12 months.

The author(s) of this report are employed by RBC Capital Markets Corporation, a securities broker dealer located in New York, USA.

Additional Disclosures

RBC Capital Markets is the business name used by certain subsidiaries of Royal Bank of Canada, including RBC Dominion Securities Inc., RBC Capital Markets Corporation, Royal Bank of Canada Europe Limited and Royal Bank of Canada - Sydney Branch. The information contained in this report has been compiled by RBC Capital Markets from sources believed to be reliable, but no representation or warranty, express or implied, is made by Royal Bank of Canada, RBC Capital Markets, its affiliates or any other person as to its accuracy, completeness or correctness. All opinions and estimates contained in this report constitute RBC Capital Markets' judgement as of the date of this report, are subject to change without notice and are provided in good faith but without legal responsibility. Nothing in this report constitutes legal, accounting or tax advice or individually tailored investment advice. This material is prepared for general circulation to clients and has been prepared without regard to the individual financial circumstances and objectives of persons who receive it. The investments or services contained in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about the suitability of such investments or services. This report is not an offer to sell or a solicitation of an offer to buy any securities. Past performance is not a guide to future performance, future returns are not guaranteed, and a loss of original capital may occur. RBC Capital Markets research analyst compensation is based in part on the overall profitability of RBC Capital Markets, which includes profits attributable to investment banking revenues. Every province in Canada, state in the U.S., and most countries throughout the world have their own laws regulating the types of securities and other investment products which may be offered to their residents, as well as the process for doing so. As a result, the securities discussed in this report may not be eligible for sale in some jurisdictions. This report is not, and under no circumstances should be construed as, a solicitation to act as securities broker or dealer in any jurisdiction by any person or company that is not legally permitted to carry on the business of a securities broker or dealer in that jurisdiction. To the full extent permitted by law neither RBC Capital Markets nor any of its affiliates, nor any other person, accepts any liability whatsoever for any direct or consequential loss arising from any use of this report or the information contained herein. No matter contained in this document may be reproduced or copied by any means without the prior consent of RBC Capital Markets.

Additional information is available on request.

To U.S. Residents: This publication has been approved by RBC Capital Markets Corporation, which is a U.S. registered broker-dealer and which accepts responsibility for this report and its dissemination in the United States. Any U.S. recipient of this report that is not a registered broker-dealer or a bank acting in a broker or dealer capacity and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report, should contact and place orders with RBC Capital Markets Corporation. **To Canadian Residents:** This publication has been approved by RBC Dominion Securities Inc. Any Canadian recipient of this report that is not a Designated Institution in Ontario, an Accredited Investor in British Columbia or Alberta or a Sophisticated Purchaser in Quebec (or similar permitted purchaser in any other province) and that wishes further information regarding, or to effect any transaction in, any of the securities discussed in this report should contact and place orders with RBC Dominion Securities Inc., which, without in any way limiting the foregoing, accepts responsibility for this report and its dissemination in Canada. **To U.K. Residents:** This publication has been approved by Royal Bank of Canada Europe Limited ("RBCEL") which is authorized and regulated by Financial Services Authority ("FSA"), in connection with its distribution in the United Kingdom. This material is not for distribution in the United Kingdom to private customers, as defined under the rules of the FSA. RBCEL accepts responsibility for this report and its dissemination in the United Kingdom. **To Persons Receiving This Advice in Australia:** This material has been distributed in Australia by Royal Bank of Canada - Sydney Branch (ABN 86 076 940 880, AFSL No. 246521). This material has been prepared for general circulation and does not take into account the objectives, financial situation or needs of any recipient. Accordingly, any recipient should, before acting on this material, consider the

0482

RBC Capital Markets

NBTY, Inc

appropriateness of this material having regard to their objectives, financial situation and needs. If this material relates to the acquisition or possible acquisition of a particular financial product, a recipient in Australia should obtain any relevant disclosure document prepared in respect of that product and consider that document before making any decision about whether to acquire the product.

Copyright © RBC Capital Markets Corporation 2004 - Member SIPC
Copyright © RBC Dominion Securities Inc. 2004 - Member CIPF
Copyright © RBC (Europe) Limited 2004
Copyright © Royal Bank of Canada 2004
All rights reserved

NBTY, Inc.
Earnings by Line of Business
(In thousands, except for per share data)

	1997 (1)	1998 (1)	1999 (1)	2000	2001	2002	Dec-02	Mar-03	Jun-03	Sep-03	2003	Dec-03A	Mar-04A	Jun-04A	Sep-04E	2004E	Dec-04E	Mar-05E	Jun-05E	Sep-05E	2005E
Sales:																					
Lending Wholesale																					
Retail	13,210	13,185	13,164	14,631	19,832	29,137	74,116	84,550	93,539	90,721	34,626	104,195	107,425	103,508	97,579	413,197	109,405	112,796	106,778	102,978	433,857
Wholesale	163,801	185,420	176,653	182,667	172,303	182,312	34,412	52,329	52,394	52,394	198,945	179,165	189,625	171,588	167,879	78,120	84,100	79,806	78,100	78,100	309,250
Direct Response	41,351	66,276	170,172	146,053	174,097	198,603	30,363	53,556	54,423	54,138	198,945	35,297	70,653	52,543	54,899	213,502	56,943	59,426	56,678	56,678	782,697
Vanessa World	21,074	183,833	220,403	246,602	262,676	290,040	82,613	97,089	94,302	93,804	229,798	97,650	103,416	101,320	87,778	309,544	103,373	103,931	103,931	97,265	427,239
On-Tier and OTC Europe																					
Total Europe	33,024	183,533	220,403	246,602	262,676	290,040	82,613	97,089	94,302	93,804	229,798	97,650	103,416	101,320	87,778	309,544	103,373	103,931	103,931	97,265	427,239
Net sales	33,024	183,533	220,403	246,602	262,676	290,040	82,613	97,089	94,302	93,804	229,798	97,650	103,416	101,320	87,778	309,544	103,373	103,931	103,931	97,265	427,239
Gross Profit:																					
Wholesale	38,680	39,957	55,131	61,646	76,008	119,000	31,103	34,789	38,315	63,851	168,358	68,094	73,525	62,792	65,372	369,913	72,300	77,570	72,077	76,551	293,371
Direct Response	9,073	105,342	99,118	116,449	114,132	122,773	22,402	31,921	32,764	31,272	123,359	121,945	126,968	126,968	126,968	126,968	126,968	126,968	126,968	126,968	126,968
Vanessa World	24,627	40,312	62,316	83,191	101,066	116,180	29,256	31,596	32,710	31,720	123,359	121,945	126,968	126,968	126,968	126,968	126,968	126,968	126,968	126,968	126,968
Holland & Barrett	9,829	98,076	121,002	144,497	166,114	192,518	51,563	54,638	58,889	55,546	220,466	70,113	76,236	77,048	63,389	203,046	73,016	77,597	76,912	76,912	298,542
Gross Profit	164,250	208,876	277,507	407,762	497,762	550,470	134,724	153,435	167,278	182,549	672,366	192,168	226,248	220,665	192,332	813,732	202,975	214,317	215,185	215,185	857,600
Operating Expenses:																					
Wholesale	23,225	29,045	18,243	25,590	32,231	60,189	14,230	17,659	21,600	21,449	76,959	30,008	40,999	26,920	30,216	128,163	41,788	41,788	41,788	41,788	146,749
Direct	20,250	24,010	43,496	67,479	67,479	67,479	1,641	13,058	19,771	17,440	62,194	9,268	23,418	16,294	18,394	67,374	9,939	22,044	16,667	16,667	67,780
VR World	1,360	5,035	12,479	7,220	10,660	64,733	1,641	13,058	19,771	17,440	62,194	9,268	23,418	16,294	18,394	67,374	9,939	22,044	16,667	16,667	67,780
Total Europe	1,360	5,035	12,479	7,220	10,660	64,733	1,641	13,058	19,771	17,440	62,194	9,268	23,418	16,294	18,394	67,374	9,939	22,044	16,667	16,667	67,780
Segment Results																					
Corporate Overhead	8,832	84,711	106,715	106,715	106,715	106,715	43,983	56,070	61,485	61,485	22,463	25,339	29,653	28,247	22,463	108,862	36,377	36,377	36,377	36,377	106,312
Increase from operations	53,842	78,273	68,111	94,808	97,094	134,292	27,694	27,193	41,976	34,653	101,313	41,690	68,210	41,139	42,847	222,897	70,493	91,493	80,010	76,568	320,768
Interest & Other	2,654	84,196	17,538	16,301	19,432	18,940	2,807	1,509	1,807	5,786	11,900	2,398	6,219	4,473	5,851	21,041	4,762	4,247	3,912	3,699	16,619
EBT	47,188	64,242	30,553	80,437	67,660	117,353	24,887	35,693	36,109	28,873	124,352	36,363	62,511	36,656	42,865	177,944	41,772	59,448	51,211	51,486	203,297
Income Taxes	18,403	24,171	20,220	20,220	21,413	39,100	8,063	13,126	9,641	7,408	37,327	12,717	21,254	16,254	14,813	58,728	13,387	19,618	16,900	16,900	67,006
Net Income	28,785	40,071	10,333	60,217	46,247	78,253	16,824	22,567	29,468	21,465	87,025	23,645	41,257	20,402	28,048	119,225	27,385	39,830	34,311	34,586	136,291
Shares outstanding	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233	68,233
% Growth																					
Wholesale		2.4	0.3	1.4	28.5	27.1	12.9	18.6	17.2	12.4	12.4	14.1	12.3	12.3	12.4	14.1	12.3	12.3	12.3	12.3	12.3
Interest growth																					
Direct Response																					
Vanessa World																					
Same-store sales VR World																					
New store openings (net of closed stores)																					
Holland & Barrett																					
Same-store sales - H&B																					
Net sales	33,024	183,533	220,403	246,602	262,676	290,040	82,613	97,089	94,302	93,804	229,798	97,650	103,416	101,320	87,778	309,544	103,373	103,931	103,931	97,265	427,239
EPS	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
% of sales																					
Gross margin:																					
Wholesale	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Direct Response	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Vanessa World	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Holland & Barrett	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Total	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Operating margin:																					
Wholesale	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Direct Response	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Vanessa World	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Total Europe	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Corporate Overhead	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Operating Margin	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%	44.3%
Tax rate	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%	18.4%

(1) Periods have not yet been restated to reflect acquisition of corporate overhead allocation.
 (2) Includes non-recurring charges related to litigation settlement costs of \$5.1M, or \$0.05 per share.
 (3) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (4) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (5) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (6) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (7) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (8) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (9) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.
 (10) Includes non-recurring charges related to litigation settlement costs of \$1.0M, or \$0.01 per share.

Source: Company reports and RBC CM estimates

Carole Buys, CPA
(800) 885-1122

Ed Auer, CPA
(800) 885-1127

7/29/2004

EXHIBIT 4



Smith Barney

Small/Mid-Cap Research

See page 3 for Analyst Certification and Important Disclosures

Estimate Change ☒

NBTY (NTY)

NTY: Flash: 11c EPS Miss; Deteriorating Trends

HOLD (2)
High Risk (H)

Mkt Cap: \$1,629 mil.

July 22, 2004

SUMMARY

- Deteriorating trends in June led to an 11c EPS miss (or 13c using a normalized tax rate) in 3Q04. July trends do not appear to have improved. Despite preannouncing April/May sales, total 3Q sales were still \$15mm below the consensus sales est of \$415mm.
- Major reasons for the miss incl: Vitamin World comps declining 4% due to a shift in sales to mass channels from specialty, yet we est. NTY's internally generated wholesale sales growth was up low single digits (further decelerated in June) in 3Q from the mid twenty percent range over the previous 3 Qs. Catalog sales also decelerated in June contrary to speculation and mgmt guidance on its 6/17 conference call. Additionally, Holland & Barrett comps (ex-currency) decelerated to 3% in 3Q04 from 6% 2Q04.
- Given the magnitude of the miss and apparent deteriorating trends, our EPS est and target price are under review.

NATURAL PRODUCTS

Gregory Badishkanian

+1-212-816-2720

gregory.r.badishkanian@citigroup.com

Pallavi Bendre Mehta, CFA

+1-212-816-0255

Alvin Concepcion

+1-212-816-6915

FUNDAMENTALS

P/E (9/04E).....	13.8x
P/E (9/05E).....	11.8x
TEV/EBITDA (9/04E)	7.8x
TEV/EBITDA (9/05E)	6.9x
Book Value/Share (9/04E).....	\$10.04
Price/Book Value	2.4x
Revenue (9/04E)	\$1,650.0 mil.
Proj. Long-Term EPS Growth	20%
ROE (9/04E)	4.8%
Long-Term Debt to Capital(a).....	32.7%

(a) Data as of most recent quarter

SHARE DATA

Price (7/22/04)	\$24.50
52-Week Range	\$39.61-\$20.64
Shares Outstanding(a)	66.5 mil.
Div(E) (Cur/Prev)	\$0.00/\$0.00

RECOMMENDATION

Rating (Cur/Prev)	2H/2H
Target Price (Cur/Prev)...	\$26.00/\$26.00
Expected Share Price Return	6.1%
Expected Dividend Yield.....	0.0%
Expected Total Return.....	6.1%

EARNINGS PER SHARE

FY ends		1Q	2Q	3Q	4Q	Full Year
9/03A	Actual	\$0.24A	\$0.34A	\$0.37A	\$0.31A	\$1.27A
9/04E	Current	\$0.34A	\$0.60A	\$0.37A	\$0.41E	\$1.78E
	Previous	\$0.34A	\$0.60A	\$0.43E	\$0.41E	\$1.78E
9/05E	Current	NA	NA	NA	NA	\$2.07E
	Previous	NA	NA	NA	NA	\$2.07E
9/06E	Current	NA	NA	NA	NA	\$2.37E
	Previous	NA	NA	NA	NA	\$2.37E

First Call Consensus EPS: 9/04E \$1.87; 9/05E \$2.24; 9/06E NA

Calendar Year EPS: 12/03A \$1.32; 12/04E \$1.90; 12/05E \$2.12; 12/06E NA

VALUATION

Our \$26 target price is derived primarily using a P/E relative to the food supplier group and secondarily using a PEG ratio. We believe NBTY should trade at a 25% discount to the food supplier's forward P/E (4 quarters) of 16.5x. While NBTY is less liquid and has greater earnings volatility compared to the food suppliers, NBTY has a higher forecasted EPS

Smith Barney is a division of Citigroup Global Markets Inc. (the "Firm"), which does and seeks to do business with companies covered in its research reports. As a result, investors should be aware that the Firm may have a conflict of interest that could affect the objectivity of this report.

Investors should consider this report as only a single factor in making their investment decision.

NBTY 2922

Citigroup Global Markets

United States



Smith Barney

Small/Mid-Cap Research

growth rate (20% vs. high single digits for the food suppliers, by our estimates). However, given the recent slow-down in its US operations and our belief that trends have not improved, we believe there is greater risk to NBTY's estimates, and are therefore assuming the stock trades at a 25% discount to the food supplier group. Thus, applying a 12.4x target multiple to our calendar 2005 EPS estimate of \$2.12 results in a \$26 target price.

We use additional valuation methodologies to derive our target price on NBTY, specifically a PEG ratio. On an absolute PEG basis, for the past five years, we find the median PEG ratio for NBTY has been 0.8x. We think, given NBTY's acquisition strategy, the stock's current PEG should trade at a 25% discount to its historical median given continued deteriorating sales trends. Applying the adjusted PEG ratio of 0.60 to our long-term growth rate of 20% and our calendar 2005 EPS estimate of \$2.12, results in a target price of ~\$26.

RISKS

We hold a High Risk rating on the shares. While NBTY carries a low beta, holds a strong interest coverage position (we forecast an interest coverage ratio of 11x for fiscal 2004), a low total debt to total capital ratio (forecasted at 33% for fiscal year end 2004), and has projected earnings growth of 20%, we believe a High Risk rating is appropriate given weak industry fundamentals, historically inconsistent earnings results, and company-specific risks mentioned below. Risks to the stock achieving our target price include: NBTY's recent sales slowdown within the U.S. retail and catalog operations and NBTY's "vulture" acquisition strategy (i.e., buying bankrupt companies at pennies on the dollar). As with any consolidation strategy, NBTY may have trouble integrating the operations of acquired companies. They could also have problems with the acquisition of a larger company. Also, a reversal of the recent currency trends could potentially hurt the profits of its U.K. business. Additionally, soft pricing trends could continue as NBTY's wholesale competitors may discount products in order to improve short-term cash flow as they are struggling to merely pay their bills and meet debt obligations. We continue to be negative on the vitamin industry (a sub sector of the Natural Products sector, which we view favorably), given a lack of new product introductions combined with negative media coverage of the sector. Furthermore, the government has filed a \$150 million dollar lawsuit alleging that NBTY violated government's policy's regarding distribution of products containing the drug pseudophedrine. Lastly, NBTY has one of the least consistent earnings records in our universe. If the impact on the company proves to be greater than we anticipate, the stock will likely have difficulty achieving our target price. Conversely, if the impact on the company from any of these factors proves to be less than we anticipate, the stock could materially outperform our target.

INVESTMENT THESIS

We rate NBTY a Hold/High Risk (2H) with a \$26 target price. We believe the company has several key strengths including (1) international exposure - about a third of its business comes from the U.K. market, which has been insulated from negative industry trends found in the U.S. and has benefited from a weakening dollar, (2) continued market share gains at the U.S. wholesale business, and (3) the ability to acquire bankrupt wholesale competitors for just pennies on the dollar. We, however, remain cautious given the company's recent slowdown in U.S. sales trends. We therefore rate NBTY a Hold.

COMPANY DESCRIPTION

NBTY Inc. is a vertically integrated nutritional supplement manufacturer, marketer, and retailer operating in the U.S. and internationally. The company sells approximately 1,500 VMS products through: 1) Puritan's Pride, the company-owned catalog division, 2) Vitamin World, a U.S. retailer, 3) Holland and Barrett (H&B), its UK retail chain, and 4) U.S. Nutrition, its VMS wholesale segment. The company seeks to serve the growing number of value-conscious consumers by offering high-quality products at value prices.


Smith Barney
Small/Mid-Cap Research

ANALYST CERTIFICATION

APPENDIX A-1

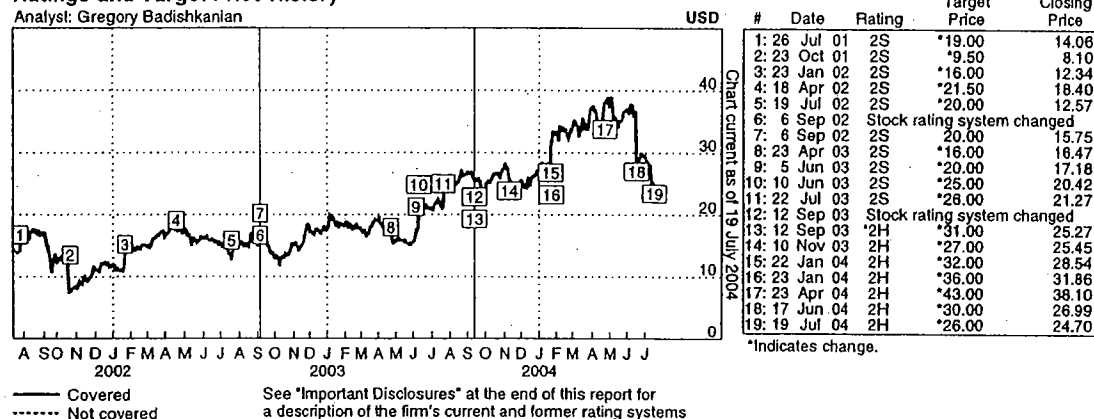
I, Greg Badishkanian, hereby certify that all of the views expressed in this research report accurately reflect my personal views about any and all of the subject issuer(s) or securities. I also certify that no part of my compensation was, is, or will be directly or indirectly related to the specific recommendation(s) or view(s) in this report.

IMPORTANT DISCLOSURES

NBTY (NTY)

Ratings and Target Price History

Analyst: Gregory Badishkanian



Citigroup Global Markets Inc. or its affiliates has received compensation for investment banking services provided within the past 12 months from NBTY.

Citigroup Global Markets Inc. currently has, or had within the past 12 months, the following company(ies) as investment banking client(s): NBTY.

Analysts' compensation is determined based upon activities and services intended to benefit the investor clients of Citigroup Global Markets Inc. and its affiliates ("the Firm"). Like all Firm employees, analysts receive compensation that is impacted by overall firm profitability, which includes revenues from, among other business units, the Private Client Division, Institutional Equities, and Investment Banking.

Smith Barney Equity Research Ratings Distribution

Data current as of 30 June 2004

	Buy	Hold	Sell
Smith Barney Global Equity Research Coverage (2402)	40%	43%	17%
% of companies in each rating category that are investment banking clients	58%	56%	46%
Natural Products -- North America (1)	0%	100%	0%
% of companies in each rating category that are investment banking clients	0%	100%	0%

Guide To Investment Ratings:

Smith Barney's stock recommendations include a risk rating and an investment rating.

Risk ratings, which take into account both price volatility and fundamental criteria, are: Low [L], Medium [M], High [H], and Speculative [S].

Investment ratings are a function of Smith Barney's expectation of total return (forecast price appreciation and dividend yield within the next 12 months) and risk rating.

For securities in developed markets (US, UK, Europe, Japan, and Australia/New Zealand), investment ratings are: Buy [1] (expected total return of 10% or more for Low-Risk stocks, 15% or more for Medium-Risk stocks, 20% or more for High-Risk stocks, and 35% or more for Speculative stocks); Hold [2] (0%-10% for Low-Risk stocks, 0%-15% for Medium-Risk stocks, 0%-20% for High-Risk stocks, and 0%-35% for Speculative stocks); and Sell [3] (negative total return).

Investment ratings are determined by the ranges described above at the time of initiation of coverage, a change in risk rating, or a change in target price. At other times, the expected total returns may fall outside of these ranges because of price movement and/or volatility. Such interim deviations from specified ranges will be permitted but will become subject to review by Research Management. Your decision to buy or sell a security should be based upon your personal investment objectives and should be made only after evaluating the stock's expected performance and risk.

Between September 9, 2002, and September 12, 2003, Smith Barney's stock ratings were based upon expected performance over the following 12 to 18 months relative to the analyst's industry coverage universe at such time. An Outperform (1) rating indicated that we expected the stock to outperform the analyst's industry coverage universe over the coming 12-18 months. An In-line (2) rating indicated that we expected the stock to perform approximately in line with the analyst's coverage universe. An Underperform (3) rating indicated that we expected the stock to underperform the analyst's coverage universe. In emerging markets, the same ratings classifications were used, but the stocks were rated based upon expected performance relative to the primary market index in the region or country. Our complementary Risk rating system -- Low (L), Medium (M), High (H), and Speculative (S) -- took into account predictability of financial results and stock price volatility. Risk ratings for Asia Pacific were determined by a quantitative screen which classified stocks into the same four risk categories. In the major markets, our Industry rating system -- Overweight, Marketweight, and Underweight -- took into


Smith Barney
Small/Mid-Cap Research

account each analyst's evaluation of their industry coverage as compared to the primary market index in their region over the following 12 to 18 months.

Prior to September 9, 2002, the Firm's stock rating system was based upon the expected total return over the next 12 to 18 months. The total return required for a given rating depended on the degree of risk in a stock (the higher the risk, the higher the required return). A Buy (1) rating indicated an expected total return ranging from +15% or greater for a Low-Risk stock to +30% or greater for a Speculative stock. An Outperform (2) rating indicated an expected total return ranging from +5% to +15% (Low-Risk) to +10% to +30% (Speculative). A Neutral (3) rating indicated an expected total return ranging from -5% to +5% (Low-Risk) to -10% to +10% (Speculative). An Underperform (4) rating indicated an expected total return ranging from -5% to -15% (Low-Risk) to -10% to -20% (Speculative). A Sell (5) rating indicated an expected total return ranging from -15% or worse (Low-Risk) to -20% or worse (Speculative). The Risk ratings were the same as in the current system.

OTHER DISCLOSURES

For securities recommended in this report in which the Firm is not a market maker, the Firm usually provides bids and offers and may act as principal in connection with such transactions. The Firm is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. The Firm regularly trades in, and may, at any time, hold a trading position (long or short) in, the shares of the subject company(ies) discussed in this report. The Firm may engage in securities transactions in a manner inconsistent with this research report and, with respect to securities covered by this report, will buy or sell from customers on a principal basis.

Securities recommended, offered, or sold by the Firm: (i) are not insured by the Federal Deposit Insurance Corporation; (ii) are not deposits or other obligations of any insured depository institution (including Citibank); and (iii) are subject to investment risks, including the possible loss of the principal amount invested. Although information has been obtained from and is based upon sources Smith Barney believes to be reliable, we do not guarantee its accuracy and it may be incomplete or condensed. All opinions, projections and estimates constitute the judgment of the author as of the date of the report and are subject to change without notice. Prices and availability of financial instruments also are subject to change without notice. If this is a fundamental research report, it is the intention of Smith Barney to provide research coverage of this/these issuer(s), including in response to news affecting this issuer, subject to applicable quiet periods and capacity constraints. This report is for informational purposes only and is not intended as an offer or solicitation for the purchase or sale of a security. Any decision to purchase securities mentioned in this research must take into account existing public information on such security or any registered prospectus.

Investing in non-U.S. securities, including ADRs, may entail certain risks. The securities of non-U.S. issuers may not be registered with, nor be subject to the reporting requirements of the U.S. Securities and Exchange Commission. There may be limited information available on foreign securities. Foreign companies are generally not subject to uniform audit and reporting standards, practices and requirements comparable to those in the U.S. Securities of some foreign companies may be less liquid and their prices more volatile than securities of comparable U.S. companies. In addition, exchange rate movements may have an adverse effect on the value of an investment in a foreign stock and its corresponding dividend payment for U.S. investors. Net dividends to ADR investors are estimated, using withholding tax rates conventions, deemed accurate, but investors are urged to consult their tax advisor for exact dividend computations. Investors who have received this report from the Firm may be prohibited in certain states or other jurisdictions from purchasing securities mentioned in this report from the Firm. Please ask your Financial Consultant for additional details.

The UK's Financial Services Authority rules require that a firm must establish, implement and make available a policy for managing conflicts of interest arising as a result of publication or distribution of investment research. The policy applicable to Citigroup's equity research products can be found at www.citigroupgeo.com. This report may have been distributed simultaneously, in multiple formats, to the Firm's worldwide institutional and retail customers. If this report is being made available via the Smith Barney Private Client Group in the United Kingdom and Amsterdam, please note that this report is distributed in the UK by Citigroup Global Markets Ltd., a firm regulated by the Financial Services Authority (FSA) for the conduct of Investment Business in the UK. This document is not to be construed as providing investment services in any jurisdiction where the provision of such services would be illegal. Subject to the nature and contents of this document, the investments described herein are subject to fluctuations in price and/or value and investors may get back less than originally invested. Certain high-volatility investments can be subject to sudden and large falls in value that could equal or exceed the amount invested. Certain investments contained herein may have tax implications for private customers in the UK whereby levels and basis of taxation may be subject to change. If in doubt, investors should seek advice from a tax adviser. This material may relate to investments or services of a person outside of the UK or to other matters which are not regulated by the Financial Services Authority and further details as to where this may be the case are available upon request in respect of this material. This report may not be distributed to private clients in Germany. If this publication is being made available in certain provinces of Canada by Citigroup Global Markets (Canada) Inc. ("CGM Canada"), CGM Canada has approved this publication. If this report was prepared by Smith Barney and distributed in Japan by Nikko Citigroup Ltd., it is being so distributed under license. This report is made available in Australia to wholesale clients through Citigroup Global Markets Australia Pty Ltd. (ABN 64 003 114 832 and AFSL No. 240992) and to retail clients through Smith Barney Citigroup Australia Pty Ltd. (ABN 19 009 145 555 and AFSL No. 240813), Participants of the ASX Group. In New Zealand it is made available through Citigroup Global Markets New Zealand Ltd., a member firm of the New Zealand Stock Exchange. This report does not take into account the investment objectives, financial situation or particular needs of any particular person. Investors should obtain advice based on their own individual circumstances before making an investment decision. Citigroup Global Markets (Pty) Ltd. is incorporated in the Republic of South Africa (company registration number 2000/025866/07) and its registered office is at Citibank Plaza, 145 West Street, Sandown, Sandton, Johannesburg 2196. The investments and services contained herein are not available to private customers in South Africa. If this report is made available in Hong Kong by, or on behalf of, Citigroup Global Markets Asia Ltd., it is attributable to Citigroup Global Markets Asia Ltd., Three Exchange Square, Hong Kong. If this report is made available in Hong Kong by The Citigroup Private Bank to its clients, it is attributable to Citibank N.A., Citibank Tower, Citibank Plaza, 3 Garden Road, Hong Kong. This publication is made available in Singapore through Citigroup Global Markets Singapore Pte. Ltd., a Capital Markets Services Licence holder.

© 2004 Citigroup Global Markets Inc. Member SIPC. Smith Barney is a division and service mark of Citigroup Global Markets Inc. and its affiliates and is used and registered throughout the world. Citigroup and the Umbrella Device are trademarks and service marks of Citicorp or its affiliates and are used and registered throughout the world. Nikko is a service mark of Nikko Cordial Corporation. All rights reserved. Any unauthorized use, duplication, redistribution or disclosure is prohibited by law and will result in prosecution. The Firm



Smith Barney

Small/Mid-Cap Research

accepts no liability whatsoever for the actions of third parties. The Firm makes no representations or warranties whatsoever as to the data and information provided in any third party referenced website and shall have no liability or responsibility arising out of, or in connection with, any such referenced website.

ADDITIONAL INFORMATION IS AVAILABLE UPON REQUEST

NBTY 2926